

Thus the Debenture Capital (which stands first in priority of security upon the resources of the Line) possesses, as security for the payment of its interest, an annual net income (earned for the year observed) of £5,550,000; or, regarded from another point of view, there exists, *after* the discharge of such interest, a margin of £4,380,000, which is equivalent to an additional sum of £11*J* per cent. Nothing could be safer, and the Preference and Guaranteed Stocks, according to the rank of their security upon the undertaking, have behind their individual interest the annual security of the interest paid upon the succeeding stocks and of the dividend distributed upon the Ordinary Stock—the latter showing an annual security for provision of the antecedent obligations of nearly 2*J*-millions of net revenue, or to consider the Debenture Stock (and correspondingly for the remaining subsequent stocks, which stand, in order of security, before the ordinary capital), the railway might lose a net income of £4,380,000 a year, without trenching upon the full payment to the extent of one penny of the Debenture interest.

It is obvious that Debenture Stocks, by reason of the superior security which they possess, yield a lower rate of interest than stocks stationed beneath them in order of rank of priority.

This analysis has been adopted for the purpose of showing the mode of estimating the security of the several classes of stocks, and the illustration applies generally to the principal Lines. At the end of the section I shall specify the order in which the stocks of certain railways stand in respect of mortgage upon the line.

Some Preference Stocks depend for their interest upon the profits of each separate year, so that if, after providing for the interest on the Debenture Stocks, and upon any other obligations in prior order to the Preference Stocks in question, the remaining balance should prove insufficient to discharge in full the interest for such Preference Stocks, the deficiency could not be accumulated or held over for satisfaction out of the profits of a subsequent year.

Some Preference Stocks are termed "

Cumulative," and entitle the holder, when the profits of any year are insufficient